

Clio: Digital Transformation of Legal Practice -- At COVID-19 Speed

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Abstract

Professional services firms face evolving client needs and can better meet these needs through digital transformation. We offer the case of Clio, a leading provider of cloud-based legal technology for law firms to better serve their clients. With the onset of COVID-19, the company recognized that remote client access and services, previously embraced by early adopters, would now become essential for all law firms' survival. The company's response resulted in dramatic growth and the transition from a customer base of early adopters to customers spanning most of the innovation adoption curve. Clio's success throughout this period is attributable to three core elements of the company's strategy: (1) Deep, culturally-rooted commitment to customer success, (2) Research-based understanding of the needs of both law firms and their clients, and (3) Industry thought leadership and assistance. These elements generalize beyond Clio and the pandemic and will help guide any organization seeking to become not just a vendor but an essential partner to its customers.

1. Introduction

Clio provides a cloud services platform which digitizes and automates many of the labor-intensive administrative functions involved in the running of a legal practice. The company entered COVID-19 with a somewhat technically sophisticated, early adopter client base of small and mid-sized law firms. Like many other companies with digital tools tailored to the needs of an established vertical market, at the onset of the COVID-19 crisis Clio experienced massive growth and a shift in customer profile as law firms rapidly moved to virtual environments. Many of their new customers are later adopters of cloud technologies and practices. In response, Clio transformed its platform's ease of use, onboarding methodology and customer support practices to fit the needs of its new, market majority customers. [1].

Here, we report on how Clio managed this transformation across both their product capabilities

and implementation services. We conclude with generalizable lessons from the Clio case.

2. Background

Lifelong friends Jack Newton and Rian Gauvreau founded Clio in 2007. They had prior experience in IT services with one of Canada's leading law firms. They felt that the software in use by law firms delivered poor value and was difficult to use. When the company launched its software in 2008, it was the first cloud-based practice management software specifically developed for law firms. The venture's early history is not atypical for software startups: a difficult search for product-market fit and funding, and found both at a point when the team was dangerously close to running out of cash. Since then Clio has grown dramatically, now employs 600 people, and has raised almost US\$400m, the most recent round in Spring 2021 at a market capitalization of US\$1.6B. The company plans to increase headcount by 40% in 2021 [2].

The legal industry tends to be very conservative and slow to embrace the digital age, with organizations structured as classic professional services firms: high knowledge intensity, low capital intensity, and a professionalized workforce [3]. However, recent research shows that digitalization results in greater heterogeneity across law firms [4].

Early on, Clio's founders realized that they needed to offer more than software and technology to encourage early adoption and created a roadmap for legal practices to thrive in a rapidly evolving market. This process included educating and inspiring the industry to see the merits of adopting cloud-based and client-centered practices to better address the evolving needs of their clientele.

In 2020, CEO Jack Newton published *The Client-Centered Law Firm* [5], describing how law practices can innovate by understanding and responding to clients' needs. Newton is also active in volunteer initiatives to modernize the legal profession [6]. These actions support Clio's thought leadership position regarding legal practice operations.

3. Transformations Across Clio & Customers

Clio was successful before COVID-19, having a user base of 150,000 before the pandemic – predominantly early adopters. They'd built a product suite and support services that matched their customers' comfort with - and enthusiasm for - technology. COVID-19 brought about a need for remote capabilities to maintain operations. The new challenge, in turn, unlocked a vast greenfield opportunity as cloud-based technology was no longer a nice-to-have but a must-have for the broader market.

Overnight, adopting digital tools and moving to the cloud became top-of-mind for many law firms and not just amongst early adopters. A survey of law firms [6] showed that the majority now preferred online client meetings. Given where the industry was before COVID, this was a remarkable change. One reason is that, as consumers, the leaders of these firms came to experience online meetings, bookings and shopping, making it easier for them to conceive of an online presence for their firms, perhaps even no bricks-and-mortar office at all.

When the pandemic arrived, Clio pivoted its plans for 2020 to support legal professionals in a time of uncertainty, market volatility and rapid change. The team aggressively moved to integrate features focused on remote collaboration. Newton estimates that in the legal market, ten years of digital transformation happened in one year. Courts everywhere started adopting Zoom for trials, including distributed juries, with an immediate ripple effect on law firms.

Newton does not see law firms going back to the way things were. Legal consumers have changed how they want to engage with their lawyers, and law firms have seen the financial benefits of using cloud-based technology [4, 7]. Offering clients video consultation, digital document sharing and electronic signatures are now well-established practices that consumers and lawyers alike want to continue in a post-pandemic world. The emergence of a new era of hybrid legal services seems likely [4; 7, p. 51]. There are benefits for lawyers and clients in working from wherever they may be that, once experienced, cannot be forgotten. Also, competitive dynamics in the industry now favor those who provide a cloud-based, digitally enhanced experience [4].

4. A New Normal in Customer Services and Product Trajectory

Cultural resistance to change, the biggest obstacle to digital business transformation, all but disappeared

in the face of the pandemic's existential threat. Clio's ability to quickly recognize this transition and adapt plans and practices accordingly, placed it in an ideal position to help its market adapt to the challenges posed by lockdowns. The product suite matured, and Clio repositioned to meet the requirements of the majority market, which now seems ready for the cloud-based and client-centered transformation. Client satisfaction, operating cost reduction and staff retention through enhanced work flexibility [7] will be the legal industry's rewards.

5. Leveraging a Client-Centered Mindset at the Speed of COVID

Clio's experience during the COVID-19 pandemic highlights the value of managing services in ways that enable rapid response to changing market conditions. Clio's service-focused core values were key: these values served as a scaffold for the quick response to a more extensive and new set of customers. According to Newton, the value critical to how Clio shifted its activities was "Customer Success Comes First", one of seven values that served as a North Star amidst the pandemic [8]. This deeply rooted focus on customer success provided both an early warning and a roadmap as the company built out strategies to help customers navigate the sudden and dramatic challenges COVID-19 presented.

We see Clio's success throughout this period as attributable to three core elements of the company's strategy: (1) Deep, culturally-rooted commitment to customer success, (2) Research-based understanding of the needs of both law firms and their clients, and (3) Industry thought leadership and assistance.

5.1. Commitment to Customer Success

Most organizations consider themselves to be committed to their customers' success. But unless this perspective is rooted in culture, hiring, metrics and rewards, it is unlikely to be a consistent result [9]. The speed at which Clio recognized the disruption COVID-19 restrictions would have on its customers and how interactions with clients would need to change is a testament to how real this commitment is at Clio. Newton says, "everything about our COVID-19 response oriented around us living this value and figuring out how we could help our customers navigate the sudden and dramatic challenges COVID-19 presented them."

5.2. Research-based understanding of the needs of both law firms and their clients

With a rich, research-based understanding of the needs of both law firms and their clients, Clio rapidly pivoted its product development plans in 2020 to better align with the needs of law firms having to adapt to remote working conditions. Clio's use of data supported their identification and prioritization of new capabilities within the platform [e.g., 10]. This helped law firms adapt to remote work between staff and clients. Through integrations with Zoom, Google My Business and e-signatures, Clio supported its customers as they learned to collaborate, communicate and support their clients digitally.

5.3. Industry Thought Leadership and Assistance

Clio's strategic emphasis on thought leadership in legal industry trends was well-established pre-COVID [5-7]. With COVID-19, Clio recognized that the industry needed to understand what was happening and how to react. Clio analyzed COVID-19 impacts on the legal industry through its *COVID-19 Impact Research Briefings* [11] and the *2020 Legal Trends Report*, which helped lawyers understand the challenges of 2020 and prepare for success in 2021.

In March 2020, Clio launched its US\$1 million *COVID-19 Legal Relief Initiative*. The initiative provides educational resources, free and discounted software and direct financial assistance to help law firms with challenges triggered by the pandemic. Ultimately, Clio invested over US\$1.1 million in support of recovery efforts. Clio offered technology and consulting services free of charge to support digital transformation and collaboration. Over 1,000 law firms received financial assistance and many more took advantage of the additional support services [12].

Utilizing their trusted partner status, industry data, and direct financial and services support, Clio was able to provide industry insights that enabled both strategic and tactical customer responses.

6. Conclusion

Clio's success offers several lessons in becoming an essential partner and trusted advisor to your customers and your industry at large. The company's strategy was tested and proved effective in recognizing and responding to the threat COVID-19 posed to its market.

Newton notes inspiration in many aspects of Salesforce.com's evolution to the leading SaaS

provider for CRM for sales teams globally - "We saw a similar opportunity to reshape how legal professionals got their work done." Clio also employs the "Customer Development" framework Steven Blank puts forward in *Four Steps to the Epiphany* [13], a way to ensure that organizations are addressing problems worth solving and building solutions that closely align with their customers' needs.

7. References

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